

California State Library
Library Services and Technology Act

QUARTERLY FISCAL REPORT

1. General Information

- a. Accounting system. The fiscal agency of the grantee is responsible for providing an accounting system that conforms to generally accepted accounting principles with established procedures. The system must support responsible project management and facilitate the submission of timely and accurate financial reports. Records of LSTA grants and grant years must be separately maintained and be readily available. The system must provide supporting documentation to substantiate allowable program costs throughout the life of the project.
- b. Retention of records. Financial records for LSTA projects must be retained by the grantee for a period of three (3) years from the date of the project's completion.
- c. Equipment. The minimum value for items entered as Equipment is \$5,001. Approved items costing \$5,000 or under are considered small equipment and are reported under operating expenses.
- d. Exceptions. Any exception to standard reporting requirements, for projects of a special nature, will be made by the State Librarian. The State Library consultant assigned to the project can provide assistance in interpreting instructions, and additional information is available from the State Library Budget Office and the LSTA Federal Program Coordinator. The grantee is responsible for knowledge of and compliance with all LSTA reporting instructions.
- e. Early close. Evaluation is required for all projects, as is final fiscal and narrative reporting. In some projects, a project publication or procedure manual may be required at the end of the project. Project staff may be looking for new assignments, or leaving for new positions. All of this puts stress upon staff in the final days of a project, and tends to compress a heavier workload into the closing period. Within the program of the project, approved by the State Librarian in the award, the grantee may wish to consider an early close of project activities to provide adequate time for the necessary final requirements. This might be particularly true in projects involving public services not otherwise continued by the jurisdiction. If an early project close is considered, the grantee should discuss this with the assigned State Library consultant for advice and approval. In all cases, the project is expected to try to achieve its approved objectives and must comply with the June 30 final date for expenditure or encumbrance of funds, as well as the dates for liquidation and final reporting.

2. Budget changes. The grantee is given the opportunity during the period of the project to respond to local or unforeseen developments by adjusting the categories of the approved budget.
 - a. Adjustments less than 10% within the grant budget
 - o An adjustment under the 10% modification limit must be discussed in advance with the assigned State Library consultant. This includes changes within a line item or between line items. Communication regarding the adjustment does not have to be in writing provided that the consultant has agreed verbally to the proposed change; it must be noted on the next quarterly financial report. The consultant may request the change be documented in writing prior to approval. Prior approval of the State Librarian is not required. Adjustment in the category should be shown on page 2 of the LSTA 8 form.
 - o This adjustment provision is limited to 10% of the category into which funds are to be moved. An adjustment may be made in more than one category, or more than one adjustment made in the same category, during the life of the project. Multiple changes to a category may not exceed 10% of the original approved budget (except under b., below), and calculations of the percentage of change are based on comparison with the original budget. Funds may not be moved into any category for which no funding has been approved.
 - o The total LSTA budget must remain the same. If one or more categories are being increased, other categories must be decreased by a corresponding amount.
 - o Any adjustment in budget must be documented and retained in project accounts. Adjustments should be reported on the appropriate quarterly financial statement.
 - b. Adjustments greater than 10% within the grant budget
 - o Budget changes needed in excess of 10% should be discussed with the State Library consultant. They may or may not be found appropriate. The grantee wishing to request such a modification must file the Grant Award Modification (LSTA 4), according to instructions. The change is subject to approval by the State Librarian.
 - c. Augmentations or decreases of the total grant budget
 - o Budget modifications must be discussed with the State Library consultant, and a Grant Award Modification (LSTA 4) form must be submitted according to instructions. It is subject to approval by the State Librarian.
3. Expenditures and encumbrances. Expenditures and encumbrances are shown together on the Quarterly Report Financial Statement. On this report any valid encumbrance should be shown in the expenditure/encumbrance column. Encumbrances are shown separately only if they are carried beyond the close of the project period (June 30).

- a. Under federal regulations, an encumbrance or obligation is defined as a binding written commitment to do the following, which action occurs in the future:
 - o Acquire real or personal property.
 - o Obtain personal services by a contractor who is not an employee of the State or grantee.
 - o Obtain the performance of work other than personal services.
- b. The following, therefore, are not considered legal encumbrances and their actions cannot occur beyond the date of encumbrance:
 - o Personal services by an employee of the State or subgrantee.
 - o Public utility costs.
 - o Travel.
 - o Rental of real or personal property.
- c. Encumbrances are not allowable beyond the June 30 project closing date, with the following exceptions:
 - o Those made by the fiscal authority to accrue funds from which to pay bills created before June 30.
 - o Those made for accounting services to cover compliance with the Single Audit Act provisions.
- d. Examples of encumbrances, allowed and not allowed, at the close of a project, June 30:
 - o Books ordered before June 30 may be received and invoices paid until the close of the liquidation period, as funds are accrued to pay these bills.
 - o A telephone bill may be paid after June 30 but additional new calls may not be covered with grant funds.
 - o Personal services contracts or other work arrangements may not be extended beyond June 30 by encumbrance, because work would be performed beyond the close of the project.
- e. The final 10% grant award is payable only if the grant recipient fulfills all project reporting requirements and returns all unspent grant funds by the time specified in the grant program. Failure to provide timely reports is a serious breach of a grant recipient's administrative duty under the award, which may result in federal audit exceptions against the State and the loss of LSTA funds. The State Librarian may extend the final narrative deadline beyond July 31 for good cause. Contact the LSTA Coordinator for advice on each situation. Requests for extension beyond the final deadline of September 15 are not allowed due to Federal regulations. The final 10% grant award is the reimbursable part of the award (a third claim) for reporting and accounting purposes. It should NOT be treated as an outstanding encumbrance or as unspent funds in the final fiscal or liquidation report. The 10% amount should be reflected in the total shown in Col. 6 as expended or encumbered at the end of the project period (June 30).
- f. Projects have 60 days following termination of the grant award period to liquidate funds obligated or encumbered. The report of liquidation (on form LSTA 8) is due *no later than* September 15. All funds neither expended nor encumbered by June 30 must be returned to the State Library by August 15.

4. Project closing timetable, FY 2003/04:

- a. All federally funded program activity ceases on June 30, 2004.
- b. All services must be performed and funds must be expended or encumbered by June 30, 2004, or returned. Prior to the last weeks of the project, the grantee should discuss any planned final encumbrances with the State Library consultant to ensure that the encumbrances are appropriate.
- c. Fourth quarter financial statement is due on July 31, 2004.
- d. Final Narrative Report (LSTA 9) is due on July 31, 2004, for all projects. This report covers the entire project year and replaces the fourth quarter narrative report.
- e. Any project funds not expended or encumbered by June 30 must be returned to the State Library by August 15, 2004. A check payable to the California State Library must be remitted. The check must bear reference to LSTA and the grant award number of the project for which funds are being returned.
- f. Liquidation of encumbrances report is submitted on the Quarterly Report Financial Statement (LSTA 8), due September 15, 2004. Any funds not liquidated are to be returned with the report.

5. Completing the form LSTA 8, page 1.

- a. The columns for reporting are:

(1) Approved Budget. Enter total amount of budgeted funds for the grant year as approved by the State Librarian and/or as changed by the 10% adjustment clause or an approved grant award modification. Display any budget change and revised approved budget on page 2 of the form. Page 2 does not need to be submitted unless there have been changes to the budget since the previously-submitted report.

(2) through (5) Quarterly Expenditures/Encumbrances. For the purposes of this report, include encumbrances made during the program year together with expenditures in columns 2-5 for each three-month period. The number of reports required is dependent on the approved project period. Note the display of quarterly periods in the top left corner of the form: check the appropriate quarter for each report, and enter amounts in the corresponding column.

(6) For each row containing a budget item, add the entries for each quarter across columns 2, 3, 4, and 5 and enter the result in column 6, updating the total each successive quarter.

(7) Outstanding Encumbrances. This column is used only at the close of the funded project period, the 4th quarter report. Enter the total of all encumbrances outstanding after June 30, i.e., expenses which have not at the time of this report been liquidated.

(8) Liquidation. If outstanding encumbrances are identified in the 4th quarter report, a final liquidation report is required. This column is used for that submission, to report liquidation of encumbrances or obligations which were shown in the fourth quarter report.

(9) Unexpended/Unencumbered Balance. Enter in each quarter's report, the unexpended or unencumbered balance of LSTA funds awarded. (Column (1) minus column (6) equals column (9)). Only "0" may appear in this column in a separate liquidation report if one is submitted. These funds will be returned to the California State Library, according to instructions provided.

b. The rows for reporting are:

a. Salaries and benefits. Total salaries and benefits for all project staff, except staff under contract. (Funds for contract staff are budgeted under operating expenses, row c.)

b. Materials. Books, periodicals, audiovisual formats, microforms, other library materials and computer software.

c. Operating expenses. Contract services including data base, reference services, publicity, maintenance of equipment and vehicles, building equipment lease and rental. Also, include expense for employees or consultants on contract. Other operating expenses: office and library supplies; communications costs; small equipment (i.e., costing less than \$5,000); duplication, travel; etc.

d. Equipment. Any item which costs over \$5,000 per unit.

e. Indirect costs. Administrative charges or indirect costs as approved in the State Librarian's award letter.

6. Completing the form LSTA 8, page 2.

Use the second page *only* if an approved budget modification (see form LSTA 4), i.e., a reallocation amount greater than 10% of the line into which funds were moved, occurred during the quarter. The entries on Page 2 should reflect the information as approved in the letter notifying the subgrantee of approval of a budget adjustment.

7. Send each Quarterly Financial Statement **by the due date in three (3) copies**, one with original signatures, to:

**California State Library
Budget Office - LSTA
P.O. Box 942837
Sacramento, CA 94237-0001**

8. If other than U.S. Postal Service is used; the street address is 1029 J Street, Suite 400, Sacramento, CA 95814-9998.

Thank you for your cooperation.